

RECOMMENDED BY PROPERTY BILLIONAIRES

7

STEPS TO
WEALTH

9TH EDITION

**THE VITAL
DIFFERENCE
BETWEEN
PROPERTY AND
REAL ESTATE**

JOHN L. FITZGERALD

‘John presents an honest, time-tested strategy to wealth accumulation that every Australian should know about.’

—**Michael Baragwanath**, Financial Planner

‘I’ve followed 7 Steps since 1998. My wife and I acquired 6 properties, sold 3 to fund our family home and now we’ve purchased our 4th investment property.’

—**Jason McCartney**, Former AFL Player

‘I started 7 Steps in my 50s. 20 years on, I sold just 1 of my 10 properties and made a \$280 000 profit from a \$47 000 deposit! Thanks to 7 Steps my retirement is secured.’

—**Margaret Seedsman**, Former Mayor

‘7 Steps works. We weren’t property people when we got started, but we learned how to build a portfolio for our retirement.’

—**David, Engineer, and Dada Bailey**, Retired

‘When I first read *7 Steps* I didn’t believe I could acquire multiple properties. I now have 13 properties and regret I didn’t start sooner.’

—**Craig Chu**, Banker

‘7 Steps gives us a choice when to retire as opposed to 65 or 67 years of age.’

—**Margaret Wachnik**, Business Owner

‘To me, attitude is everything in life. 7 Steps gave me the right tools and attitude to help secure our future.’

—**Wayne Dyson**, Corporate Coach

‘As a leadership coach, I help people bridge the gap from where they are to where they want to be. Thanks to 7 Steps, I’ve learnt how to do that for my own retirement.’

—**Toni Courtney**, Leadership Coach

‘An insightful book delving into some investment property principles which all property investors should be aware of. The book offers some powerful insights into John’s personal story and is a fantastic read for everyone embarking on their own property wealth accumulation journey.’

—**David Shaw**, Accountant



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WILEY

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*To my beautiful, amazing family; Maggie, Prema, Jackson,
Gabriel, Priya, Alex and Kane; and Ron and Suwanti Farmer;
and our family of teachers and social workers at
Toogoolawa Schools.*

*We are all teachers. Some teachers explain. Some teachers
complain. Some teachers inspire.*

CONTENTS

<i>Acknowledgements</i>	<i>xi</i>
<i>Preface</i>	<i>xiii</i>
<i>Introduction</i>	<i>xix</i>
Part I: Starting points	1
1 Why build wealth?	9
2 Why residential real estate?	21
3 A structure for growth	43
Part II: The 7 Steps to Wealth	59
Step 1 Buy land for capital growth	61
Step 2 Optimise your rental income	85
Step 3 Maximise your tax benefits	105
Step 4 Get the right finance to build your portfolio	121
Step 5 Aim for affordability	143
Step 6 Make time work for you	157
Step 7 Be all you can be	179
<i>And finally</i>	<i>197</i>
<i>Appendix A: Tenancy application form</i>	<i>199</i>
<i>Appendix B: FAQ</i>	<i>205</i>

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I published the first edition of *7 Steps to Wealth* in 1998. Since then, we have amassed hundreds of thousands of readers and followers who have used the thesis to build wealth.

First and foremost, I want to thank all those who have shared their case studies, many of which I have included in this edition. Money problems really do affect people's lives and mental health so having these case studies gives some clarity to those starting out, which is the true nature of a Custodian: one who takes care of the next generation.

I also again want to thank three Australian property billionaires who took the time to read and endorse the 8th edition. It's rare for any Australian billionaire to endorse anyone as they are often very private people, but Bob, Nev and Maha all recognised the dire problem we face with growing welfare and inertia concerning how baby boomers are retiring.

Also, thanks to my beautiful daughter, Alexandra, for painstakingly assisting with updating research and recommendations in this edition. In the same vein, thanks to James Fitzgerald, my nephew and author of *Bulletproof Investing*, and Sam Schukin and Nadine Pikunic for all your help with logistics and data. Also, a huge thank you to Claire Louise Wright, wherever you are in this amazing world: thanks for all the foundations in earlier editions of *7 Steps to Wealth*, which remain as building blocks today.

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Finally, to the many thousands—or now tens of thousands—of 7 Steps practitioners who have followed me for more than 25 years and stand as testimony of this book as the best way to safely build wealth, reduce tax and ensure they retire comfortably without relying on the government: congratulations to you all.

Albert Einstein said there are two ways to live your life: one is as though nothing is a miracle. The other is as though everything is a miracle. I believe in miracles, and I give thanks and eternal gratitude.

PREFACE

As I write this ninth edition of *7 Steps to Wealth* in 2024, I celebrate being in the property business for more than 43 years. I started in 1980, aged 17, and registered my company, JLF Corporation, in 1981.

I'm deeply grateful to my mentors, not only for teaching me about real estate, but also, and more importantly, for demonstrating the mindset and habits required to follow the numbers rather than the stories.

Successful people use mantras. Mantras are sayings that we repeat to ourselves to 'cross over thoughts'. It's important you have mantras for whatever you set out to achieve, to stay positive and not get caught up in a collective consciousness focused on fear, doubt and negativity.

Just two of the mantras my mentors taught me on day one are:

- There's only truth in numbers.
- Success is repetition.

You'll hear these and many other mantras throughout the book. That's one of the big differences between this book and other books on wealth creation. I won't just give you knowledge or a story. I will try my best to give you skills, tools and a time-proven formula supported by 26 years of case studies (people I have

coached to wealth) as well as my own history of transacting more than 15 000 properties and owning a land bank worth hundreds of millions of dollars.

Your success becomes numbers, strategy, repetition and most importantly, mindset and good habits.

Successful people think differently. I often partner with two of Australia's property billionaires. Being in the business for more than 40 years, I have met most of the property billionaires in Australia. They think differently: truth in numbers, success is repetition.

My point is, I'm not telling you a story. I'm giving you a proven formula that works. A case in point is Sebastian (not his real name—he wants to remain anonymous), who started with me in 1998. He bought his first home for \$180 000 on a 1000 m² allotment in Pimpama on the Gold Coast. He started with a deposit of \$20 000. He and his wife have now accumulated 15 properties with net assets of well over \$8 million and have retired with strong positive cash flow.

I read and hear so much nonsense about property, a lot of it from economists, bankers, financial planners and would-be experts who constantly make predictions (mostly about property crashes that have never happened).

However, I write this preface to the ninth edition by saying that while the 7 Steps have not changed in the 26 years since I wrote the first edition, Australia and the Australian real estate market have changed massively.

In 1998, when I wrote the first edition, Australia had a population of 17 million and there were 6.4 million residential dwellings valued at an average of \$173 000. The total value of Australian housing was \$1.107 trillion with a total debt of \$242.4 billion.

In 2024, our population is 27 million and we have 11.1 million homes with a median house price of \$973 000. The total value of housing is \$10.9 trillion with a debt of \$2.3 trillion.

Australians *now* are wealthy, and their wealth is in their real estate. In fact, the combined value of residential property at the abovementioned \$10.9 trillion is more than the combined value of all stocks on the Australian Securities Exchange, in Australian superannuation and all commercial property, which is \$8.2 trillion.

Around 1 in 3 Australians have no mortgage. Another one-third are investors who get tax breaks and income from tenants and the final one-third are in the mortgage belt. Their debt ratio sits at around 65 per cent. Despite what you hear, it's a very healthy balance.

The baby boomers are now retiring and the annual inheritance passed down is circa \$270 billion per annum, which in itself would buy half of all the residential property sold each year in Australia.

There's a huge difference between property and real estate. One goes up in value, the other goes down in value—as you will learn in this book. There's only truth in numbers. In 1998, the average land size was 700 m²; today it is 375 m².

In 1998, our population was growing by around 1 million people per 5-year census. It jumped to nearly 2 million per census in the early naughties as we struggled to build mining projects to reap the benefits of a world shortage of iron ore and energy. Post COVID we need to grow by 3 million people every 5 years to replace the baby boomers, who make up 21 per cent of the workforce retiring up to 2035.

COVID caused a massive structural change to the numbers—mostly in the capital cities. We went from 2.63 persons per household to 2.53 persons per household, which required 120 000 homes to be built urgently. At this time, construction of houses started

dropping because federal and state governments committed billions of dollars to infrastructure works, and the supply chain for materials and labour collapsed, causing massive price increases and the biggest number of bankruptcies within the construction industry we've ever seen.

As I write, the federal, state and local governments are all talking about the housing crisis and how to fix it, but no-one is doing anything about it. The federal government came out literally throwing money at the state governments, incentivising them to build more homes. The state governments then pushed local governments for more density, but the local governments dug their NIMBYism ('not in my backyard') in and are using green tape to push back.

We need 240 000 new dwellings per annum Australia-wide. Reality is we'll build closer to 160 000 homes per annum. As I write, the prices of houses in some areas are going up by 1 per cent per month.

As at July 2024, we have a shortage of 150 000 homes Australia-wide. This will blow out to 500 000 homes due to local government green tape, the acute shortage of labour due to competition with the infrastructure works, and the pressure unions are putting on labour costs. Labourers working on an infrastructure project must be unionised and get paid three times what housing construction labourers get paid because of the union stronghold.

What does all this mean?

It means we're going to have the biggest residential real estate boom ever in Australia's history, and it could last for 10 years or more. Once again, I say *real estate* boom—not *property* boom. There's a big difference between the two, and in this book you'll learn what the difference means—see Step 6 in particular—but, in short, property is the buildings that sit on the land while real estate (which is what the 7 Steps are based on) is the land itself. The boom

is caused by the government's need to increase density—that is, reduce the lot size of housing from 400 m² to as little as 70 or 80 m². What this does is increase the square-metre rate from \$1000 to as much as \$5000 per square metre. Now that's a *boom!* And it has already started, with some local councils allowing lot sizes to be as small as 70 m².

But let me go back for a moment to mindset and mantras.

In 1998, when I released the first edition of *7 Steps to Wealth*, one of Australia's richest men flew me in his private jet and suggested I come work for him. He was very successful in commercial property and had a multibillion-dollar portfolio and he wanted me to help him double it in 10 years. I had been a property developer for 12 years by then. He asked me what I was doing, and I told him I had written *7 Steps to Wealth* and was teaching the average Australian how to build wealth using real estate.

He told me I was wasting my time: 'A brick is a brick; you can polish it as much as you like but it's still a brick'.

That sat in my head—and still does today—and it's why I'm so big on mindset.

I could have taken the job with him and maybe I would be wealthier—who knows! But I couldn't see the wider purpose. You'll understand my 'why' as you read the book, but if you want the sound byte, read the story 'The old man and the starfish' in Step 7.

Since 1998, *7 Steps to Wealth* has been read by more than 300 000 Australians, yet today there are fewer than 3000 Australians who own 10 or more investment properties. Of the ones who do, many are people I've coached.

Australians have entwined in their DNA the 'great Aussie battler' mantras of 'She'll be right' and 'I'm just gunna wait and see

what happens'. In other words, procrastinate, procrastinate, procrastinate. The result is that more than 6 out of every 7 Australians are sleepwalking into the pension.

That's not good for them, or the country, and it's certainly not a good example for our children.

So, as you've probably realised, I didn't take the secure job with the billionaire. It's not my style, as you will learn in Step 7: 'Be all you can be'.

You're reading this book for a reason. Let the book speak to you and guide you. It works, and Australia needs your help.

John L. Fitzgerald
July 2024

INTRODUCTION

This is not just a book about how to build wealth by investing in real estate. It's a book about how *you* can build wealth by investing in real estate.

There's a big difference. The words 'property investment' probably conjure up visions of serious guys in serious suits talking about things like 'negative gearing', 'leverage' and 'equity positions'. And for most people, that's a major turn-off. Perhaps that's why property investment is one of the best-kept secrets of the financial world.

I'm going to let you in on a few well-kept secrets in this book—and I'm going to try and do it in easy-speak language so that anyone can pick it up and read it. I figure, if Stephen Hawking can write a popular book based on Einstein's theory of relativity, then somebody ought to be able to do the same for real estate investment! I'd like to give you something you can relate to and, more importantly, use without constantly tripping over a load of jargon and statistics.

The books on wealth creation that are full of jargon and statistics (and there are a few of them around) are often written by academics who may have gathered a wealth of theoretical knowledge but haven't actually—personally—created any wealth. I'd have to say, I'm pretty much the opposite.

However, Einstein himself said, 'Everything should be made as simple as possible, but not simpler'. Good rule. So, you will find

numbers, charts and technical terms in this book, but they are there to clarify key concepts—not to prove that I can use statistics and big words. We'll also cover a fair bit of information, but this isn't one of those 'everything you never particularly wanted to know about economics' books. I'm simply going to tell you about the most effective way I know to build wealth.

The book is divided into two parts, with the first part made up of chapters (introducing how to build and grow wealth through real estate) and the second part split into steps—that is, the 7 Steps to Wealth. This is the part that will give you the big picture, explain the key ingredients and, importantly, it will get you focused on the only two things that matter: cash flow and growth.

The strategy is for you to use real estate as a tool to grow your wealth from \$100 000 to more than \$5 million. There's a huge difference, and I will give you case studies on people who have done just that.

By the time you finish reading this book, you will have a pretty clear idea of how to maximise your assets, reduce your tax bill, ask the right questions and see through some of the so-called experts in the field. And, perhaps most importantly, you'll know that you can build wealth.

The principles set out in this book aren't new. I've been using them for myself, and for clients, for more than 40 years—and they work. They've given us financial freedom, security and a great lifestyle for ourselves and our families. But that's just one part of what building wealth is about. For me, it's also about the potential to make a difference in the world: an opportunity to be all I can be. I think of it as a journey to discover purpose. Welcome to the adventure.

A fool and his money are easily parted

There are really only two reasons why you would lose money in real estate:

1. greed
2. not doing your homework.

Unfortunately, those two things catch out about 95 per cent of ‘punters’.

Greedy investors are usually locked into ‘get-rich-quick’ thinking—and they shoot themselves in the foot in all sorts of ways, such as making false economies, pricing themselves out of the market and selling short of real growth (50 per cent of property investors sell in the first 5 years). As an investor, unfortunately, you also need to avoid being manipulated by the greed of others—and there’s a fair bit of it about in the real estate industry. That’s why doing your homework is so important.

The real estate industry is huge: the residential sector alone turns over nearly \$613 billion per year. That’s a lot of property. And it’s often bought and sold less on sound research and decision making than on sentiment, impulse, gut feeling and, of course, ‘expert opinion’. (Multibillion-dollar industries seem to attract ‘expert opinions’ in about equal quantities.)

I forever have people walk into my office saying they’ve bought the property that is going to make them a lot of money, or that they represent a vendor and have a particular property that I’ve just got to acquire if I want to make money. Over the years, I have learned not to get too excited: probably only 1 in 100 of these people has any idea at all what they are talking about.

It's a bit like McDonald's restaurants: everyone thinks they can set up a duplicate fast food chain because McDonald's make it look like such a simple business. It isn't—and thousands have failed in the attempt.

I'm reminded of this every year, on my pilgrimage to the AFL Grand Final. Everybody has a strong opinion about the game before, during and after it's played! Our opinions don't always coincide, and frankly, aren't always based on sober fact or objective analysis. That's our right to free speech! Sitting among the spectators, you could well believe that the person next to you would make a far better umpire than the umpire—and certainly a better coach than the guys in the box. The fact is, however, that umpires and coaches have paid their dues in the little league, or with other football clubs, and then graduated through the majors: they are appointed on their track record and judged on their track record, game by game, as their career goes on.

The real estate industry has all the opinions—and not too many of the track records to support them. There are literally thousands of people giving advice about what to buy or sell, and quite a lot of them simply haven't got a clue! Others, of course, have their own good reasons for giving bad advice. And if you take that advice, you're probably a fool—and guess what will happen to you and your money?

It sometimes seems like there's a 'veil of mystery' (or perhaps it's just confusion) over property investment. If you're going to make good decisions that will build you wealth, you need to look behind two veils:

1. Why are you buying a property?
2. Who is selling or advising you to buy it and why?

There are really only three reasons to buy a property:

1. *for your own use*—that is, to live or work in
2. *for income*—that is, to supplement your income in the short term, through charging rent and taking advantage of legitimate tax deductions
3. *for capital growth*—that’s what builds wealth. Add the dynamic of compound growth where you start with one property and use its capital growth as a springboard for acquiring more properties and you have solid potential for serious wealth.

I travel all around Australia talking to people about building wealth in real estate. A lot of them have already acquired some sort of investment property, and when I ask, they are quick to say: yes, indeed, of course they’re after capital growth. But a few more questions usually reveal that they never in fact considered the capital growth potential of the particular property that they acquired.

They ‘knew’ that property goes up in value, but didn’t realise that could mean anything from 20 per cent down to 2 per cent per annum: in other words, the difference between positive and negative growth in real terms (in excess of inflation). They based their choice of property not on capital growth potential but on all sorts of other factors: they liked the idea of rental income (perhaps guaranteed by the vendor) or tax deductions; they ‘liked’ the property; it was recommended by someone they trusted; it promised low maintenance costs; it looked like a ‘bargain’; or the finance offered to them on the property made it amazingly hassle free.

None of these things make for capital growth. If you’re looking to build wealth, look past them!

The single most important factor for capital growth is land. Land appreciates in value; buildings don't.